

Annual Report
1985

Mercur Mine
ACT/045/017

American Barrick Resources Corporation

Barrick is a North American gold producer

CORPORATE PROFILE

Barrick has interests in five North American gold mines which have an annual production of approximately 300,000 ounces of gold at an average cash cost of US\$200 an ounce. Of this production, approximately 200,000 ounces accrue directly to Barrick. In addition, Barrick is assessing a potential sixth mine, the McDermott, and results to date indicate a future production level of about 100,000 ounces per annum.

Barrick is committed to a strategy of accelerated growth through the development of its current gold production as well as through the acquisition and development of North American gold mines consistent with its goal of becoming one of North America's leading gold producers.

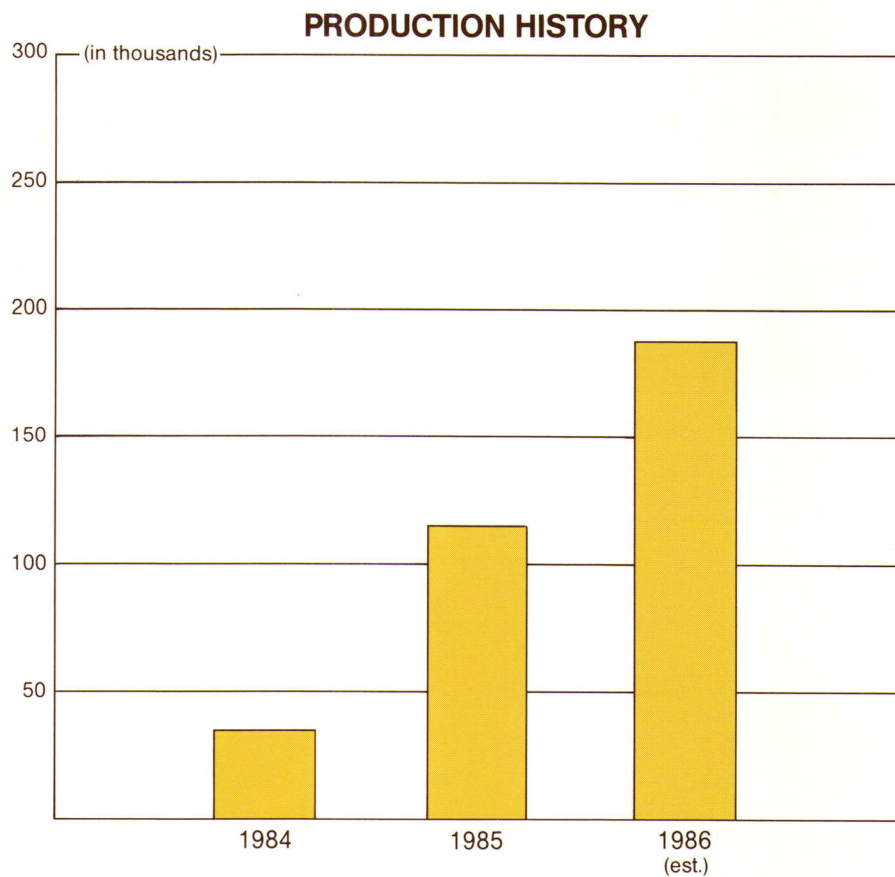
Based on its current gold production, Barrick already is among the top ten. This has been achieved in under two years, the Company having had virtually no production prior to 1984.

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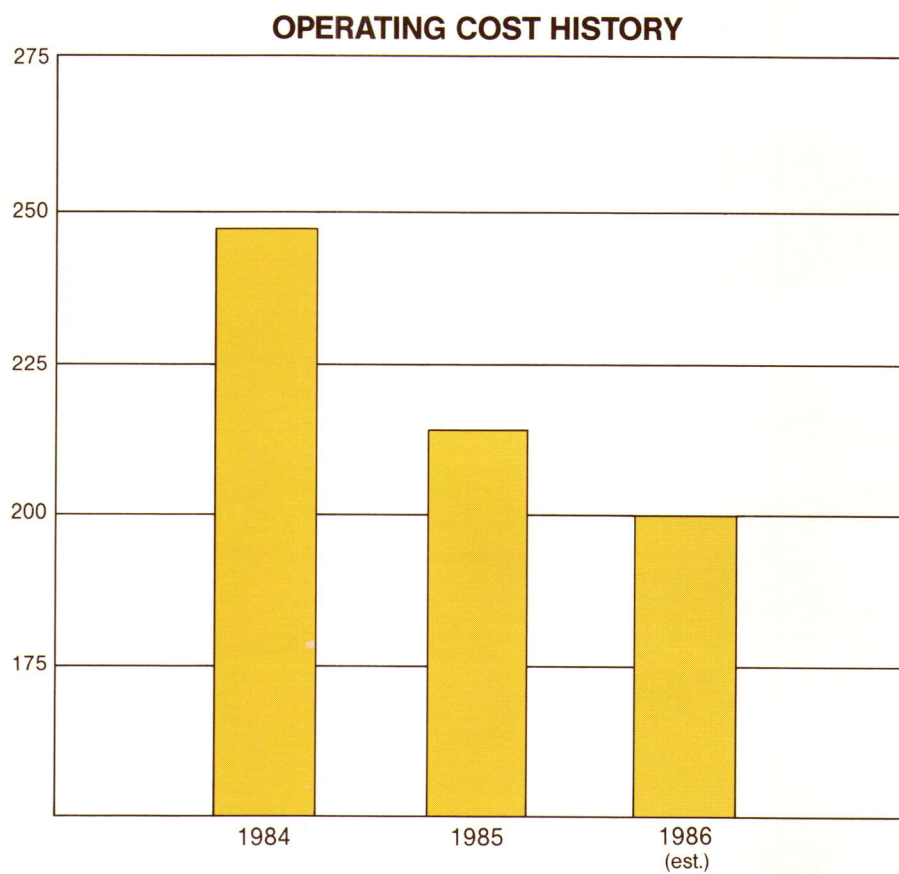
DIVISION OF
OIL, GAS & MINING

HIGHLIGHTS

GOLD
PRODUCTION
NET OUNCES



PRODUCTION
COSTS
US DOLLARS/OZ



FINANCIAL SUMMARY

(Cdn. \$ millions)

1985**1984****Financial Data**

Revenue	\$ 48.5	\$ 13.8
Income from operations	\$ 14.8	\$ 0.9
Net income (loss) before extraordinary items	\$ 4.0	\$ (3.7)
Extraordinary losses	\$(26.4)	\$(12.4)

Operating Data

Gold produced (ounces)	115,952	34,078
Cash cost per ounce	US\$ 214	US\$ 247

Per Share Data

Cash flow per share	\$ 0.37	\$ (1.49)
Income (loss) per share before extraordinary items	\$ 0.21	\$ (0.25)
Loss per share for the year	\$ (1.17)	\$ (1.05)
Common shares outstanding as at December 31	19.5 million	19.2 million

PRODUCTION SUMMARY**Estimated
1986****1985****1984**

	<u>Total Production</u>	<u>Barrick's Interest</u>	<u>Barrick's Interest</u>	<u>Barrick's Interest</u>
Producing Mines				
Mercur Mine, Utah (1)	111,000	111,000	52,290	—
Camflo Mine, Quebec (2)	25,000	25,000	34,637	18,500
Renabie Mine, Ontario	37,000	18,500	14,858	8,098
Pinson Mine, Nevada (3)	67,000	17,500	8,289	3,600
Valdez Creek, Alaska	40,000	9,000	5,878	3,880
Total Ounces	<u>280,000</u>	<u>181,000</u>	<u>115,952</u>	<u>34,078</u>

(1) Barrick acquired its interest in the Mercur Mine on June 28, 1985.

(2) Barrick acquired its interest in the Camflo Mine on July 14, 1984. The 1986 estimate reflects only production from the Camflo Mine. In addition Barrick also receives 40% of the profit from mining and milling ore for Malartic Hygrade. In 1985 gold production attributable to Barrick under the agreement with Malartic Hygrade amounted to 11,329 ounces.

(3) Barrick acquired an indirect 11.47% interest in the Pinson Mine on July 14, 1984. Barrick increased its interest to a direct 26.25% interest on December 31, 1985.

As a result of the acquisition of the Getty Gold Company from Texaco (and thereby the Mercur Mine) in June 1985, Barrick achieved a substantial increase in gold production to 116,000 ounces from 34,000 ounces in 1984. Correspondingly, revenues increased to \$48.5 million from \$13.8 million in 1984.

Barrick also has achieved an improved level of profitability. The profit before extraordinary items for 1985 was \$4.0 million compared with a loss in 1984, before extraordinary items, of \$3.7 million. Results for 1985 reflect the ownership of the Mercur Mine for the six months from July to December 1985. A write down of \$26.4 million relating to the discontinued oil and gas operations resulted in a loss after this extraordinary item of \$22.4 million in 1985 against a loss, after extraordinary items, of \$16.1 million in 1984.

Throughout 1985, a concerted effort was made to divest Barrick of its remaining non-gold related assets. After the disposal in early 1985 of its Canadian gas production for \$32 million, and the rationalization of its investment in United Siscoe Mines, Inc., its remaining oil and gas activity was a 90% holding in Barrick Exploration Company of Denver, Colorado, with a diversified portfolio of U.S. exploration properties.

To enable the Company to complete its divestiture program, it has arranged to transfer all its holdings in Barrick Exploration for a royalty interest ranging from 10-25% of all future revenues from the development of that company's properties. Because of the present uncertainty in forecasting such future revenues, no value has been assigned to these retained interests; consequently, the total investment in Barrick Exploration has been fully provided for in the 1985 consolidated accounts in the amount of \$26.4 million.

This large write-off was a difficult decision for your Board but was made in the firm belief that it was in the best interests of shareholders. It completes the process of concentrating Barrick's activities and focuses all its resources on building the Company into a leader among North American gold producers.

Mercur Mine Acquisition

Barrick purchased the Mercur Mine from Texaco, Inc. in June 1985 for US\$31 million cash and a US\$9 million production payment payable

from 50% of the excess revenue from gold sold above US\$385 an ounce.

During the first six months of Barrick operating the Mercur mine, it has increased its monthly production from an average of 6,900 ounces to over 8,700 ounces and has reduced cash costs from US\$290 to US\$212 an ounce.

Pinson Mine Acquisition

Also in 1985, Barrick purchased United Siscoe's 26.25% interest in the Pinson Mine in Nevada for \$19 million as of December 31. This acquisition adds approximately 10,000 ounces per annum to the Company's direct gold production from 1986 onwards at a cash cost of less than US\$200 an ounce. The purchase price was satisfied by the cancellation of indebtedness owed by United Siscoe to Barrick and the cancellation of Barrick's shareholding in United Siscoe.

Financial Position

In 1985 Barrick generated additional working capital of \$27.2 million and reduced its long-term debt by \$42.1 million. It further financed the acquisition of the Mercur Mine and its additional interest in the Pinson Mine at a cost of \$43.7 million and added \$20.1 million to fixed assets. These items, totalling \$133 million, were funded primarily by the Gold Company of America and bullion loan financings in the amount of \$87.9 million, the sale of oil and gas interests for \$32.7 million and an operational surplus of \$7.4 million.

Corporate Strategy and Outlook

Barrick is committed to continue to increase its gold production in North America through acquisition and development while maintaining low production costs.

Significant progress in achieving this objective was made during 1985 and, as a result, Barrick now has interests in five mines producing some 300,000 ounces of gold a year. These mines will contribute directly to Barrick approximately 200,000 ounces of gold in 1986 at an average cash cost of US\$200 an ounce.

A sixth mine, the McDermott Project, is being assessed and, subject to a detailed feasibility study to be completed in 1986, should provide Barrick

with an additional 100,000 ounces of annual gold production once the mine is opened in 1988.

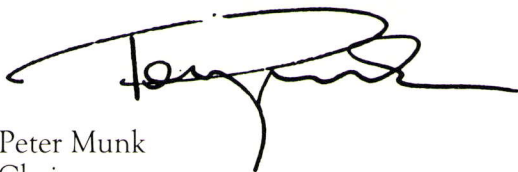
An important new exploration activity is the Battle Mountain exploration project in Nevada where Barrick acquired an interest in 5,200 acres early in 1986.

The year 1986 will fully reflect, for the first time, a simplified corporate and financial structure. As a result of the last two years of consolidation, Barrick's cash flow and earnings will be unaffected by asset dispositions and non-contributing operations. Earnings will benefit from production rationalizations and increases as well as reduced debt service charges.

Barrick's only remaining non-gold asset is its coal operations in Ohio which contributes to earnings and cash flow in excess of its present marketable value. The contribution from these operations is reflected on an equity accounted basis in the consolidated accounts.

Underlining Barrick's corporate commitment to growth as a gold producer, the 1986 capital expenditure program, in excess of \$20 million, will be invested in mine exploration and development. Funds will be used primarily for the expansion of Mercur's operations and reserves, and the McDermott Project.

During the last two years Barrick has been consolidated and transformed into a diversified North American gold producer. We expect the results for 1986 will demonstrate the benefits of what has been accomplished.

A handwritten signature in black ink, appearing to read "Peter Munk", with a long horizontal flourish extending to the right.

Peter Munk
Chairman

April 7, 1986

MERCUR MINE



- 1 The thickener and main mill facility at Mercur
- 2 The Mercur grinding section
- 3 The C.I.L. section at Mercur
- 4 A gold pour at Mercur

Description of the Mine

Barrick purchased a 100% interest in the Mercur Mine on June 28, 1985 from Texaco, Inc. which had acquired the operation as a result of its merger with the Getty Oil Company in 1984. The operation had commenced commercial production in April 1983 after preproduction expenditures by Getty exceeding US\$100 million.

The Mercur Mine is located at the south end of the Oquirrh Mountains, 35 miles southwest of Salt Lake City, Utah. It is an open pit operation, which eventually will consist of a minimum of four large pits located within a two mile radius of the mill. The project comprises 13,400 acres of mining claims, being a total area of approximately 20 square miles. Production presently is being supplied from the Mercur pit. The higher grade ore, averaging 0.089 ounces of gold per ton, is being processed in the 4,000 ton per day mill and the low grade portion, averaging 0.035 ounces of gold per ton, is being stockpiled or placed on dump leach pads which were constructed in late 1985.

Operating Results

Gold production from the Mercur Mine reached a record high for the six months ended December 31, 1985 when 52,290 ounces were produced compared with 41,546 ounces in the first six months of the year. The record production comprised 51,476 ounces from the mill plus 814 ounces from the heap leach operation commenced by Barrick in November, 1985. The mill processed 722,277 tons of ore at an average rate of 3,862 tons per day and a grade of 0.089 ounces of gold per ton, compared with a total of 509,792 tons, or 2,880 tons daily, at 0.11 ounces of gold per ton for the previous six months. A heap leach operation commenced trial production in late 1985 and had produced a total of 814 ounces by year end. Initial results from this testing have been positive despite the adverse winter weather conditions.

The overall gold production cash cost during the six-month period of operations by Barrick was US\$212 per ounce compared with costs of US\$290 per ounce during the first half of 1985. These costs included mining expenditures for above average stripping ratios in preparation for later ore production. The substantial decrease in costs during the six-month period ended December 31, 1985 was accomplished even though the grade of

ore treated was 19% lower than that of the preceding period.

Upon assuming ownership, Barrick implemented several significant changes, the most important of which are listed below:

- The daily mill throughput was increased from 3,000 tons per day to 4,000 tons per day by year end.
- All low amenability (refractory) material was stockpiled and only the high amenability (oxide) ore was fed to the mill. This contributed to an increase in mill recovery from an average of 76% to 80%.
- Two additional carbon-in-leach tanks were installed to provide for equivalent leaching time based on the increased tonnage throughput.
- After permits were obtained, a commercial size dump leach test was initiated using material grading below 0.04 ounces of gold per ton.

Capital Expenditures

Capital expenditures in 1985 amounted to US\$2.4 million, a substantial portion of which was applied to the operational improvements instituted by Barrick. These improvements included the construction of two dump leach pads to permit an annual heap leaching capacity of 600,000 to 1,000,000 tons per year and the installation of two additional carbon-in-leach tanks in the mill. The tailings impoundment area also was extended.

Expenditures in 1986 will amount to US\$3.2 million to provide for a further extension of the tailings dam, for increased support facilities to handle the higher mill tonnage and for exploration on the Mercur property.

Exploration

The Mercur Mine property consists of 13,400 acres of which only a small portion has been explored in detail. A major exploration program will be undertaken in 1986 and its initial phase will be concentrated along strike and down dip in the Mercur Mine Series rocks which host the known deposits. Of particular interest is the Rover Hill area where widely spaced holes already have outlined approximately 1.2 million tons of possible ore having an average grade of 0.07 ounces of gold per ton. Other targets to be

MERCUR MINE

investigated will include structurally controlled mineralization both above and below the Mercur Mine Series.

In addition to the work on the Mercur property, an agreement has recently been negotiated with

Western Strategic Minerals which controls over 1,000 acres immediately to the north. Mercur will earn a 60% interest in this property by carrying out a detailed exploration and drilling program over the next three years.

Ore Reserves

Proven and Probable, and Possible ore reserves of the Mercur Mine as at December 31, 1985 are listed below:

	Mill Ore	Reserves Heap Leach Sub-Ore
Oxide Reserves		
Proven & Probable: tons	14,775,000	9,593,000
Grade: ounces per ton	0.074	0.029
Possible: tons	1,200,000	
Grade: ounces per ton	0.07	
Refractory Reserves(1)		
Proven & Probable: tons	5,358,000	
Grade: ounces per ton	0.063	

(1) The refractory ore has a high sulfide content and a low amenability to existing metallurgical treatments. As a result this ore is being stockpiled for future production.

Segregated Operating Information

	Six Months Ended December 31, 1985	Six Months Ended June 28, 1985
Tons of ore milled	722,277	509,792
Average millhead grade: oz's/ton	0.089	0.110
Mill recovery rate: %	79.6	76.0
Ounces of gold produced		
Milled ore	51,476	41,546
Heap leached material	814	—
Total ounces produced	52,290	41,546
Cash cost per ton milled	US\$ 15.38	US\$ 23.63
Cash cost per ounce produced	US\$ 212	US\$ 290

Segregated Financial Information(1)

	Six Months Ended December 31, 1985 (thousands of dollars except per unit data)
Bullion production revenue	\$22,721
Average gold price received per ounce	US\$ 325
Operating cash costs exclusive of depreciation	15,215
Royalties and taxes	293
Net operating cash flow	7,219

(1) The results for the six month period ending June 28, 1985 are not appropriate because Texaco, Inc. did not sell the gold produced.

Outlook

Barrick anticipates that operating improvements achieved at the Mercur Mine during the past six months will continue in 1986. The mill is forecast to process 1.46 million tons of ore at a rate of 4,000 tons per day. The average grade of this ore is estimated to be 0.084 ounces of gold per ton with a recovery rate of 82%.

A test dump leaching operation was commissioned in late 1985 on one of the two new dump leach pads. Although the first leach pad was put into operation very late in the year, at a time when snow and ice were forming, encouraging results were achieved and it is forecast that 600,000 tons of material, with an average grade of 0.035 ounces of gold per ton and an anticipated recovery of 50%, will be leached in 1986.

Gold production is forecast to be 111,000 ounces in 1986 consisting of 100,500 ounces from the milling operation and 10,500 ounces from the leach pads.

Operating cash costs are forecast to average US\$13.33 per ton of ore mined and milled and US\$2.16 per ton for the leached material. These costs equate to US\$193 and US\$124 respectively per ounce of gold produced, for a combined forecast 1986 cash cost of US\$188 per ounce.



Aerial view of the Camflo Mine

Description of the Mine

Barrick owns a 100% interest in the Camflo Mine and earns a further 40% share of the operating profits from mining and milling the extension of the main ore body on the Malartic Hygrade property. The mine is located 12 miles west of Val d'Or in Northwestern Quebec. The Camflo Mine has been in continuous production since 1965 and to date has produced approximately 1,500,000 ounces of gold from over 7,500,000 tons of ore. Camflo is one of the lowest cost per ton underground gold mining operations in Canada. The Camflo Mine consists of a 1,300 ton per day mill and underground development to a depth of 4,000 feet. The agreement with Malartic Hygrade requires mining and milling of 200,000 tons per annum from the Malartic property with the balance of mill capacity, 270,000 tons, from the Camflo property.

Operating Results

Gold production was 6.6% lower in 1985 mainly due to a decrease in the grade of ore caused by additional dilution. In 1985, including the production attributable to Camflo's 40% share of Malartic Hygrade's operating profit, 348,424 tons of ore grading 0.106 ounces of gold per ton produced 34,637 ounces of gold. This compares with 353,085 tons grading 0.112 ounces of gold per ton which produced 37,098 ounces in 1984. The gold production cash cost per ounce was US\$214 in 1985 which compares with US\$200 in 1984.

Ore Reserves

The Proven and Probable, and Possible ore reserves of the Camflo Mine as at December 31, 1985 are listed below:

	Reserves
Proven & Probable: tons (1)	1,350,000
Grade: ounces per ton	0.10
Possible: tons	311,000
Grade: ounces per ton	0.04

(1) Ore reserve figures include an allowance for dilution based on mine experience.

The Proven and Probable ore reserves on the Malartic Hygrade property as at December 31, 1985 were 824,000 tons grading 0.114 ounces of gold per ton. The ore body is open at depth.

Segregated Operating Information (1)

	1985	1984
Tons of ore milled	348,424	353,085
Average millhead grade: oz's/ton	0.106	0.112
Mill recovery rate: %	93.9	94.1
Ounces of gold produced	34,637	37,098
Cash cost per ton milled	\$ 29.05	\$ 27.69
Cash cost per ounce produced	US\$ 214	US\$ 200

(1) Production Statistics include Camflo plus 40% of Malartic Hygrade

Segregated Financial Information

	1985	1984
	(thousands of dollars except per unit data)	
Bullion production revenue	\$15,037	\$17,189
Average gold price received per ounce	US\$ 318	US\$ 357
Operating cash costs exclusive of depreciation	10,122	9,775
Quebec resource taxes	457	863
Net operating cash flow before Gold Company of America distributions	4,458	6,551
Gold Company of America distributions (8,282 ounces)	3,670	—

Capital Expenditures

Capital expenditures in 1985 amounted to \$200,000 principally on Camflo's share of the cost of an underground crushing station on the 3,700 foot level for production from the Malartic Hygrade property. The Camflo capital program in 1986 will not involve major expenditures.

Barrick recently has acquired interests in two exploration properties in the immediate vicinity of the Camflo Mine, the Black Cliff Mines Limited property and the Pinto property. Exploration work in 1986 will involve geophysical surveys and diamond drilling on both properties.

Exploration

Exploration during 1985 included driving main crosscuts on the 3,475 and 3,650 foot levels from where diamond drilling was undertaken to explore and outline the Malartic Hygrade ore body at these depths. The main crosscut on the 3,825 foot level was begun in 1985 and will be completed in 1986 to allow for exploration to delineate additional reserves at depth.

Outlook

The Camflo Mine's production forecast for 1986 is 25,000 ounces and operating cash costs are forecast to average US\$239 per ounce. The 1986 estimate reflects only production from the Camflo Mine. In addition Barrick also receives 40% of the profit from mining and milling ore for Malartic Hygrade. In 1985 gold production attributable to Barrick under the agreement with Malartic Hygrade amounted to 11,329 ounces.



Aerial view of the Renabie Mine

Description of the Mine

Barrick owns a 50% interest in the Renabie Mine which is located 80 miles northeast of Wawa, Northern Ontario. The Renabie Mine consists of a 525 ton per day mill and underground development to a target depth of 4,400 feet. Present mining operations are producing from below the 3,100 foot level of the main ore body.

The Renabie Mine was first operated during the period 1947 to 1970 when it produced 779,958 ounces of gold from over 4 million tons of ore with an average grade of 0.205 ounces of gold per ton. Barrick acquired a 50% interest in the mine in a joint venture with a wholly owned subsidiary of Royex Gold Mining Corporation in September 1983 at which time a rehabilitation and expansion plan was embarked upon, funded largely by the Renabie Gold Trust.

Operating Results

Gold production from the Renabie Mine improved significantly in 1985 as a result of development of the main ore body below the 3,100 foot level and from a change in the extraction method to sub-level retreat mining. Production increased to 29,717 ounces compared with 16,195 ounces in 1984. The mill operated at an average rate of 424 tons per day and processed a total of 154,814 tons of ore with an average grade of 0.206 ounces of gold per ton. The gold production cost for 1985 was US\$248 per ounce.

Ore Reserves

The Proven and Probable, and Possible ore reserves of the Renabie Mine as at December 31, 1985 are listed below:

	Reserves
Proven & Probable: tons	858,479
Grade: ounces per ton	0.214
Possible: tons	700,000
Grade: ounces per ton	0.204

Segregated Operating Information

	1985	1984
Tons of ore milled	154,814	121,802
Average millhead grade: oz's/ton	0.206	0.144
Mill recovery rate: %	93.3	92.5
Ounces of gold produced	29,717	16,195
Cash cost per ton milled	\$ 65.00	\$ 64.71
Cash cost per ounce produced	US\$ 248	US\$ 376

Segregated Financial Information

(Barrick's 50% interest)

	1985	1984
	(thousands of dollars except per unit data)	
Bullion production revenue	\$ 6,611	\$ 3,928
Average gold price received per ounce	US\$ 326	US\$ 372
Operating cash costs exclusive of depreciation	5,032	3,916
Net operating cash flow before Renabie Gold Trust distributions	1,579	12
Renabie Gold Trust distributions — (1,350 ounces)	615	568

Capital Expenditures

The Renabie Mine's capital expenditures amounted to \$5.9 million in 1985. The principal expenditures were incurred to develop the decline from the 3,100 foot level to the 3,300 foot level, to sink the internal shaft which had reached a level of 3,838 feet by December 1985 and to upgrade the surface plant.

Renabie's planned capital program in 1986 provides for the expenditure of an additional \$6.7 million to complete the sinking of the internal shaft to a depth of 4,505 feet and to increase the mill's capacity to 700 tons per day, all of which are forecast to be in place by November 1986. Upon completion, Renabie will have the capacity to mine and mill 250,000 tons of ore annually.

The expansion program is proceeding according to plan. The shaft sinking will be completed by the end of April and the mill expansion construction will commence shortly.

Exploration

Exploration in 1985 included the rehabilitation of the 1,400 foot level to explore the extension of the "C" zone and the Nudulama zone. In addition, a surface program was initiated, the results of which were encouraging, including a drill intersection of 0.327 ounces of gold per ton over a length of 5.5 feet. Exploration in 1986 will explore the main zone at depth and will commence as soon as the shaft and associated lateral development are in place.

Outlook

The Renabie Mine's production forecast for 1986 is 37,120 ounces of gold at an operating cash cost of US\$265 per ounce. Barrick's share of production will be 18,560 ounces. Based upon operating results to date the production forecast should be exceeded and production costs should be lower.



The Pinson Mine with heap leaching in the foreground

Description of the Mine

As of December 31, 1985, Barrick owns a 26.25% direct interest in the Pinson Mine, which is located 200 miles northeast of Reno, Nevada. The Pinson Mine consists of open pit operations at the main site and at the Preble deposit, which is 15 miles south of Pinson. A mill with a capacity of 1,500 tons per day is located at the Pinson site. Until recently it has processed only the Pinson deposit's ore, however the high grade portion of the Preble ore will now be processed through this facility. The remainder of Preble's ore is heap leached at the Preble site.

The Pinson Mine has been producing continuously since 1981 at a milling rate of 1,500 tons per day. The Preble deposit was brought into production late in 1984.

Operating Results

Gold production from the Pinson Mine reached a record high in 1985 when 72,255 ounces were produced compared with 65,226 ounces in 1984. Production comprised 61,584 ounces from the main operation and 10,671 ounces from the Preble. In 1985 the mill operated at full capacity and processed 535,620 tons of ore with an average grade of 0.104 ounces of gold per ton. Gold production from the milling operation amounted to 46,550 ounces at a cash cost of US\$182 per ounce recovered. The heap leach operation at Pinson produced 15,034 ounces at a cash cost of US\$55 per ounce recovered. At Preble, heap leach production in 1985 amounted to 10,671 ounces at an average cash cost of US\$205 per ounce. The average gold production cash cost during 1985 was US\$159 per ounce.

Ore Reserves

The Proven and Probable ore reserves of the Pinson Mine including the Preble Deposit as at December 31, 1985 are listed below:

	Mill Ore	Reserves Heap Leach
Pinson		
Proven & Probable: tons	4,835,000	
Grade: ounces per ton	0.086	
Preble		
Proven & Probable: tons	80,000	1,385,000
Grade: ounces per ton	0.242	0.054
Sub-total: tons	4,915,000	1,385,000
Grade: ounces per ton	0.089	0.054
Pinson Sub-Ore: tons		1,664,000
Grade: ounces per ton		0.027

Segregated Operating Information

Pinson & Preble Deposits

	1985	1984
Tons of ore milled	535,620	520,825
Average millhead grade: oz's/ton	0.104	0.111
Mill recovery rate: %	83.8	84.6
Ounces of gold produced		
Milled ore	46,550	48,838
Heap leached material	25,705	16,388
	72,255	65,226
Cash cost per ton milled	US\$ 15.83	US\$ 18.96
Cash cost per ounce produced		
Milled ore	US\$ 182	US\$ 202
Heap leached material	US\$ 117	US\$ 96
Average cash cost per ounce produced	US\$ 159	US\$ 175

Segregated Financial Information

(Barrick's 26.25% interest
owned directly effective December 31, 1985)

	1985	1984
	(thousands of dollars except per unit data)	
Bullion production revenue	\$8,330	\$7,920
Average gold price received per ounce	US\$ 319	US\$ 357
Operating cash costs exclusive of depreciation	4,120	3,884
Royalties and non-capitalized expenditures	438	355
Net operating cash flow	3,772	3,681

Capital Expenditures

Capital expenditures in 1985 for the mine amounted to US\$484,000 and in 1986 are planned to be US\$685,000. These expenditures are primarily attributable to expansion and improvements of the heap leaching facilities both at Pinson and Preble.

Exploration and Development

The Pinson Mine's exploration and development expenditures for 1985 totalled US\$1,239,000. Most of this was applied to delineating a major new ore body, identified as the Mag zone.

The exploration budget for 1986 will be approximately US\$560,000 and will explore along the 15 miles of strike length of the main structure which runs between Pinson and Preble and on the extensions of this structure.

Outlook

The Pinson Mine's total production forecast for 1986 is 67,000 ounces of gold at an aggregate operating cash cost of approximately US\$182 per ounce. Barrick's share of production will be 17,500 ounces.



The Valdez Creek open pit

Description of the Mine

Barrick owns a 23.125% interest in the Valdez Creek placer mine, which is located 180 miles northeast of Anchorage, Alaska. The Valdez Creek operation consists of an open pit mine, washing and sluicing plants and ancillary support facilities.

The Valdez Creek area was first mined in the early 1900's and mining was recommenced in 1984 when 17,000 ounces of gold were produced.

Operating Results

Gold production from Valdez Creek in 1985 reached 29,833 ounces of raw gold which contained 25,418 ounces of refined gold. During 1985, 1.5 million cubic yards of over-burden were removed and 321,000 cubic yards of pay gravel were delivered to the washing plant at an average stripping ratio of 3.7:1. The overall gold production cash cost for 1985 averaged US\$213 per ounce of pure gold recovered.

Ore Reserves

The Proven and Probable, and Possible and Inferred ore reserves of the Valdez Creek Mine as at December 31, 1985 are listed below:

	Reserves
Proven & Probable: cu. yds.	1,207,000
Grade: ounces per cu. yd.	0.083
Possible & Inferred: cu. yds.	4,734,000
Grade: ounces per cu. yd.	0.069

Segregated Operating Information

	1985	1984
Cubic yards processed	306,743	179,104
Average grade: oz.'s/cu. yd.	0.083	0.094
Ounces of gold produced	25,418	16,784
Average cash cost per ounce produced	US\$ 213	US\$ 270

Segregated Financial Information

(Barrick's 23.125% interest)

	1985 (thousands of dollars except per unit data)	1984
Bullion production revenue	\$ 2,532	\$ 1,625
Average gold price received per ounce	US\$ 315	US\$ 323
Operating cash costs exclusive of depreciation	1,708	1,359
Net operating cash flow	824	266

Capital Expenditures

Capital expenditures in 1985 amounted to US\$2.9 million and expenditures of US\$3.3 million are planned for 1986. The 1986 expenditures are primarily for upgrading the stripping and haulage equipment.

Exploration

Valdez Creek's exploration program for 1985 was approximately US\$1.0 million. This resulted in a significant addition to reserves and the acquisition of additional land in the operation's immediate vicinity. It is anticipated that the exploration work planned for 1986 will result in further extensions to known reserves.

Outlook

Valdez Creek's production forecast for 1986 is 40,000 ounces of gold at an operating cash cost of approximately US\$144 per ounce. Barrick's share of this production will amount to 9,000 ounces.

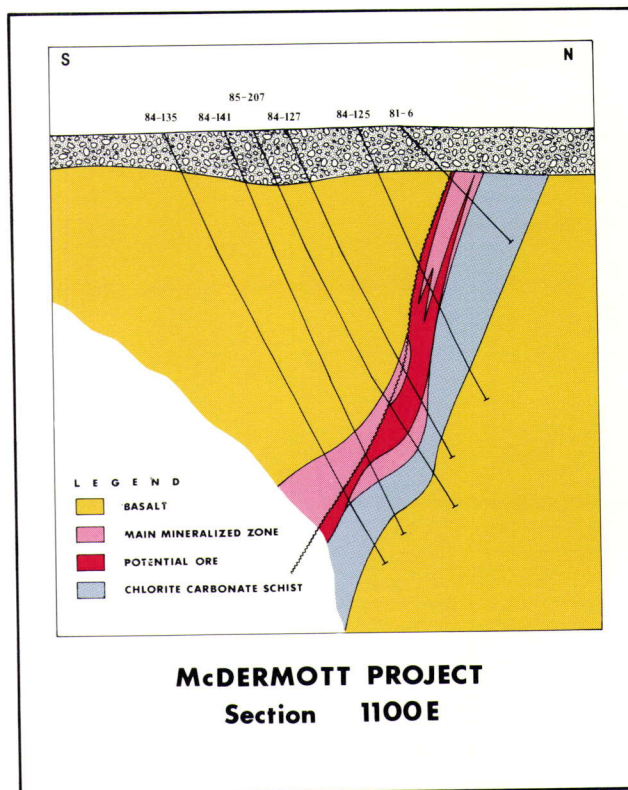
Unit operating costs are expected to improve as a result of mining high grade ore in the forthcoming year. Although the stripping ratio will increase substantially from last year's figures, the associated cost increase will be more than offset by the higher grade of ore to be processed. It is forecast that 174,000 cubic yards, at an average grade of 0.225 ounces per cubic yard, will be processed through the washing plant compared with 307,000 cubic yards at an average grade of 0.083 ounces per cubic yard, in 1985.

McDERMOTT PROJECT

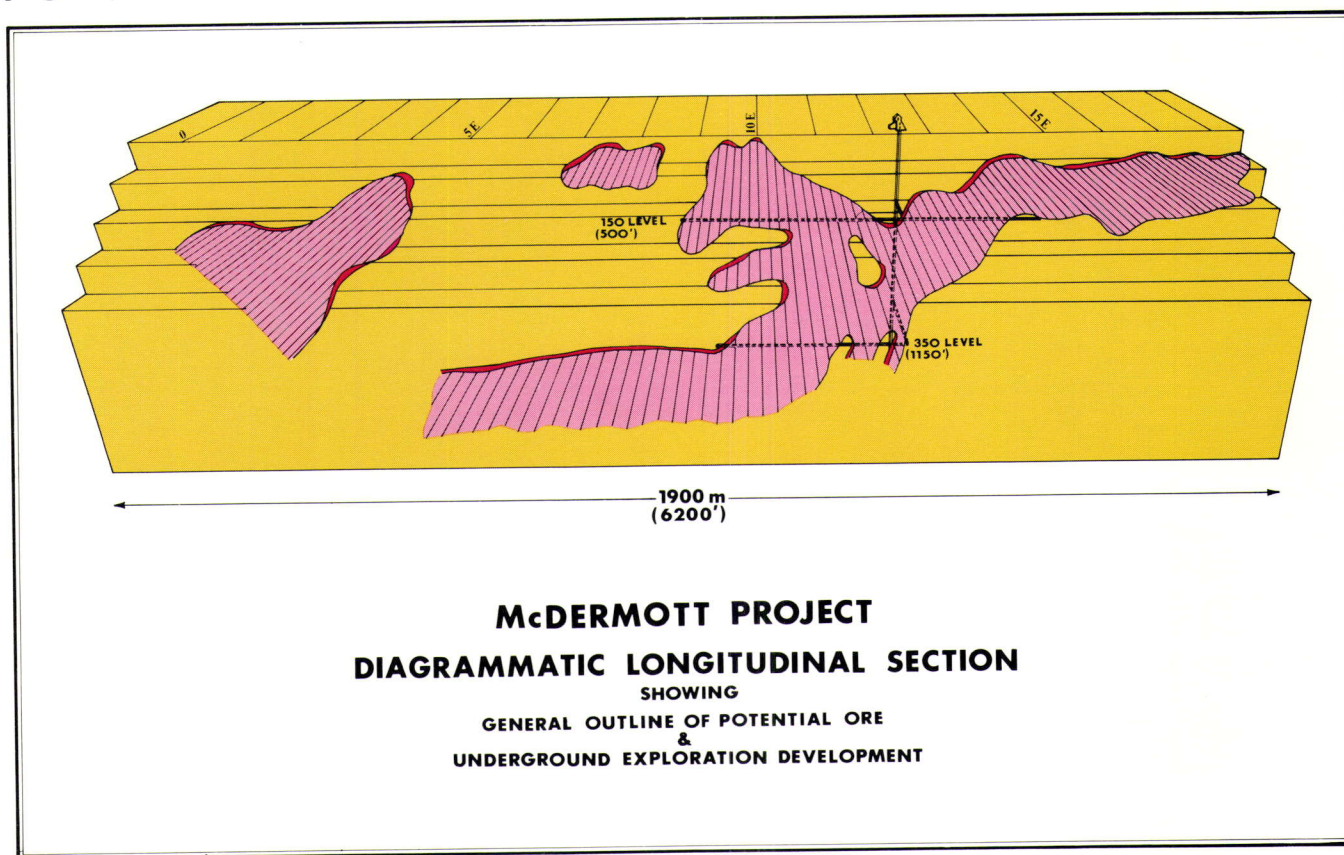


The McDermott shaft collar under construction

The longitudinal section shown below illustrates the attitude and extent of the potential ore zone defined to date. The underground development of the shaft and the two levels form the work program for 1986.



A typical cross section through the ore



EXPLORATION AND DEVELOPMENT

McDermott Development Project

Barrick's McDermott Project consists of mining claims located 30 miles north of Kirkland Lake, northeastern Ontario, in Harker and Holloway Townships.

An exploration program was initiated in 1981 to delineate gold mineralization which was found within zones characterized by silicification, carbonatization and the formation of pyrite. The zones are consistently associated with brecciation.

In 1985 Barrick continued the program, drilling a total of 112 holes which amounted to 110,523 feet. From inception, Barrick has now completed 257 drill holes for a total of 206,661 feet of drilling.

The addition of the extra drilling has given Barrick the opportunity to revise the reserves which were previously compiled in 1984. As a result, the drill indicated Probable and Possible ore reserves as at December 31, 1985 were 2,841,000 tons, averaging 0.197 ounces of gold per ton. Those estimates were made using a cut-off grade of 0.10 ounces of gold per ton over a mining width of 6 feet. Included in the above reserves is a high grade core of 1,566,000 tons, grading 0.263 ounces of gold per ton, using a cut-off grade of 0.15 ounces of gold per ton.

The sinking of a three compartment exploration shaft has been underway since the latter part of 1985. This phase of the exploration and development program is expected to be completed this summer when the shaft will be at a depth of approximately 1,400 feet. The next phase will comprise drifting, crosscutting and underground diamond drilling. The entire underground development program for 1986 has been budgeted at \$6,400,000. The surface diamond drilling program will continue in 1986 at a cost of \$650,000 and results therefrom are expected to continue expanding the reserves along strike to the southwest.

Barrick expects that it will complete a feasibility study by the end of 1986 with the expectation of bringing the McDermott Project into production in 1988. Based upon existing reserves and assuming the underground drilling program confirms the tonnage and continuity of reserves, a mining and milling operation with a capacity of 1,500 tons per day may be warranted and this would result in a production level of approximately 100,000 ounces per year.

Battle Mountain Exploration Project

In February 1986, Barrick optioned from Frank W. Lewis a two-thirds interest in a 5,200 acre claim group directly adjoining the Fortitude pit of Battle Mountain Gold Co. in Nevada. The Battle Mountain Mine is one of the largest open pit gold mines in the United States and currently produces approximately 225,000 ounces of gold annually. Barrick's joint venture, known as the Frank W. Lewis Project, contains the northern extensions of several of the main ore-related structures which occur in the Battle Mountain mine. A limited amount of exploration by previous operators has indicated a substantial tonnage of near surface silver and gold mineralization, however, Barrick will focus on the possible extension at depth of the Fortitude structures which are undrilled and which are expected to extend onto the Lewis property. Following a compilation of previous work, to be supplemented by geophysical and geochemical surveys, a program consisting of at least 20,000 feet of reverse circulation drilling will be undertaken in 1986.

Acquisition Financings

Barrick became a significant North American gold producer entirely through the acquisition of existing gold production, as opposed to the conventional method of developing production from grassroots exploration.

In order to limit equity dilution, Barrick financed the purchase or development of its three major acquisitions: a 50% interest in the Renabie Mine; Camflo Mines Limited (which included the Camflo and Pinson Mines and the McDermott Project); and the Mercur Mine by issuing financial instruments dedicating portions of future gold production from the acquired mines.

The financings relating to the Renabie Mine and the Camflo Mine, where a total of \$61.5 million was raised, provided for the delivery of 9,632 ounces of gold in 1985. At an average gold price of US\$350 for 1986, gold deliveries would be 10,030 ounces. The total annual cost of borrowing, therefore, is 8%. This percentage increases or decreases by approximately 1¼% for a \$50 variation of the gold price during any given year. While these obligations continue for the productive lives of these two mines, there are no principal payments required.

The initial acquisition financing of US\$25 million for the Mercur Mine was replaced by a 77,000 ounce bullion loan. The bullion loan bears interest at approximately 2% per annum and is to be repaid by the delivery of 18,500 ounces of gold per annum from the Mercur Mine production.

The main advantages of these financings are that they have provided low cost capital for Barrick's acquisition program and have protected the Company from declining gold prices.

Review of Operations

In 1985 gold revenues increased to \$48.5 million from \$13.8 million in the previous year and income from operations increased to \$14.8 million from \$0.9 million. These increases were due to higher gold production resulting from the Mercur Mine acquisition and the inclusion of a full year of operations at the Camflo Mine.

Revenues include recognition of deferred revenues arising from (less distributions to) the Renabie Gold Trust and Gold Company of America. Gold sales realized an average price of \$441 (US\$323) in 1985 as compared with \$462

(US\$357) in 1984. Other income was \$6.7 million for the year compared to \$2.6 million for 1984, and reflects a full year of earnings from the Pinson Mine and the coal operations, both of which were accounted for on the equity basis and were acquired in July 1984. Income before extraordinary items was \$4.0 million for the year compared to a loss of \$3.7 million in 1984.

Barrick fully provided for its oil and gas interests, both directly and indirectly owned, in the amount of \$26.4 million. This extraordinary item resulted in a loss for the year of \$22.4 million. The loss for 1984 was \$16.1 million after extraordinary items of \$12.4 million.

As reported in the Chairman's letter to shareholders, the Company's financial position has improved significantly in 1985 having generated additional working capital of \$27.2 million while reducing its long term debt by \$42.1 million.

Coal Operations

Barrick, through a wholly-owned subsidiary, owns and operates the Muskingum and Crown City open pit mines in Ohio. These mines sell their production, under long-term coal supply contracts, to subsidiaries of American Electric Power Company. In 1985 660,000 tons of coal and 438,000 tons of washed coal were sold from the Muskingum and Crown City Mines respectively. A royalty of US\$3.81 per ton is payable to New York Life Company on coal mined from the Muskingum Mine. In 1985 these operations generated profits of \$3,881,000 which were accounted for on an equity basis.

AUDITORS' REPORT

To the Shareholders of

American Barrick Resources Corporation

We have examined the consolidated balance sheet of American Barrick Resources Corporation (formerly Barrick Resources Corporation) as at December 31, 1985 and the consolidated statements of operations, deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1985, the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
March 14, 1986

Coopers & Lybrand
Chartered Accountants

AMERICAN BARRICK RESOURCES CORPORATION
(formerly Barrick Resources Corporation)

Consolidated Balance Sheet

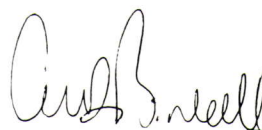
as at December 31, 1985
(In thousands)

	1985	1984
A S S E T S		
Current assets		
Cash and short-term deposits	\$ 2,742	\$ 1,353
Marketable securities	591	1,898
Accounts receivable	5,256	7,344
Inventories and prepaid expenses (note 4)	9,810	2,549
	18,399	13,144
Cash held in trust (note 5)	982	3,704
Property, plant and equipment (note 6)	163,780	155,709
Investments (note 7)	19,929	43,026
Other assets (note 8)	3,736	3,419
	\$206,826	\$219,002
L I A B I L I T I E S		
Current liabilities		
Bank loans (note 9)	\$ 5,332	\$ 34,214
Accounts payable and accrued liabilities	15,113	9,034
Current maturities of long-term liabilities (notes 10 and 11)	1,214	404
	21,659	43,652
Long-term debt (note 10)	8,205	50,331
Other long-term liabilities (note 11)	4,298	3,597
Deferred revenue (note 12)	85,649	6,880
Deferred taxes	—	9,189
	119,811	113,649
S H A R E H O L D E R S ' E Q U I T Y		
Capital stock (note 13)	134,385	130,207
Deficit	(47,370)	(24,854)
	87,015	105,353
	\$206,826	\$219,002

Signed on behalf of the board



Peter Munk, Director



C. W. D. Birchall, Director

See accompanying notes to consolidated financial statements

AMERICAN BARRICK RESOURCES CORPORATION
(formerly Barrick Resources Corporation)

Consolidated Statement of Operations

for the Year Ended December 31, 1985
(In thousands except per share data)

	1985	1984
Revenue	\$ 48,518	\$ 13,783
Expenses		
Operating costs	30,305	9,924
Administration	3,388	3,005
	33,693	12,929
Income from operations	14,825	854
Other income (note 14)	6,704	2,600
Interest expense (including interest on long-term debt of \$3,151, 1984 \$3,182)	(3,815)	(5,645)
Depreciation, depletion and amortization	(11,497)	(4,555)
Exploration costs	(448)	—
Discontinued operations	204	1,961
Income (loss) before taxes and extraordinary items	5,973	(4,785)
Resource taxes	(450)	(439)
Income taxes (note 15)	(1,500)	1,508
Income (loss) before extraordinary items	4,023	(3,716)
Extraordinary items (note 16)	(26,392)	(12,378)
Loss for the year	\$(22,369)	\$(16,094)
Income (loss) per share		
Before extraordinary items	\$.21	\$ (.25)
For the year	\$ (1.17)	\$ (1.05)

Consolidated Statement of Deficit

for the Year Ended December 31, 1985
(In thousands)

	1985	1984
Deficit at beginning of year	\$ 24,854	\$ 7,456
Loss for the year	22,369	16,094
Costs incurred in raising capital	—	1,304
Excess of cost over proceeds from resale of shares held by a subsidiary	147	—
Deficit at end of year	\$ 47,370	\$ 24,854

See accompanying notes to consolidated financial statements

AMERICAN BARRICK RESOURCES CORPORATION
(formerly Barrick Resources Corporation)

Consolidated Statement of Changes in Financial Position

for the Year Ended December 31, 1985
(In thousands)

	1985	1984
Working capital derived from		
Income (loss) before extraordinary items	\$ 4,023	\$ (3,716)
Items not affecting working capital		
Depreciation, depletion and amortization	11,611	5,827
Deferred income taxes	1,200	(1,508)
Amortization of deferred revenue	(6,954)	(610)
Share of earnings of equity accounted companies	(2,512)	(300)
Other	11	109
Generated from operations	7,379	(198)
Deferred revenue	87,871	—
Issue of long-term debt	34,647	6,752
Sale of petroleum and natural gas interests	32,731	1,961
Issue of capital stock	4,224	82,397
Repayment of notes receivable	4,706	1,991
Cash held in trust for mine expansion	2,722	—
Gold trust proceeds	—	7,490
	174,280	100,393
Working capital applied to		
Business acquisitions, including working capital of \$2,814 (1984, working capital deficiency of \$53,894)	43,694	107,078
Repayment of long-term debt	77,205	—
Property, plant and equipment	20,133	15,436
Advances to affiliated companies	2,363	1,144
Investments	1,879	—
Redemption of preferred shares	46	1,381
Cash held in trust for mine expansion	—	3,704
Costs incurred in raising capital	—	1,304
Other	1,712	1,539
	147,032	131,586
Increase (decrease) in working capital	27,248	(31,193)
Working capital (deficiency) at beginning of year	(30,508)	685
Working capital (deficiency) at end of year	\$ (3,260)	\$ (30,508)

See accompanying notes to consolidated financial statements

Notes to Consolidated Financial Statements

for the Year Ended December 31, 1985
(Tabular amounts in thousands)

1. Accounting policies

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada. Summarized below are those policies considered particularly significant for the Company.

(a) Basis of consolidation

The consolidated financial statements include the accounts of the Company and all subsidiaries except for Muskingum Mining Incorporated, a wholly-owned subsidiary which operates two coal mines in Ohio. Muskingum is accounted for by the equity method as its operations are not part of the Company's continuing business and the Company plans to dispose of these operations.

Certain of the Company's gold mining and mineral exploration activities are conducted jointly with others and the financial statements reflect the Company's proportionate interest in such activities.

(b) Translation of foreign currencies

The Company's integrated foreign operations are translated by the temporal method whereby monetary assets and liabilities are translated at the exchange rate in effect at the balance sheet date, non-monetary assets and liabilities and related depreciation and amortization are translated at historical exchange rates and revenues and expenses are translated at the exchange rates in effect at transaction dates.

The Company's self-sustaining foreign operations, principally its United States gold operations, are translated using the current rate method whereby all assets and liabilities are translated at exchange rates prevailing at the year end and revenue and expense items at average exchange rates for the year. Translation adjustments arising from changes in exchange rates will form part of the change in the deferred translation adjustments component of shareholders' equity. These adjustments are not included in operations until realized through a reduction in the Company's net investment.

(c) Inventories

Refined gold inventory is valued at market value. Gold in process which is contained in the milling circuit and in the ore stock pile is valued at the lower of average cost and net realizable value.

Mine operating supplies are valued at the lower of average cost and net realizable value.

(d) Property, plant and equipment

(i) Property acquisition and deferred mine development costs

Property acquisition and deferred mine development costs are recorded at cost and amortized by the unit of production method.

(ii) Buildings and equipment

Buildings and equipment are recorded at cost and depreciated using the straight-line method based on the estimated useful lives of the assets ranging from 3 to 20 years.

Repairs and maintenance expenditures are charged to operations; major improvements and replacements which extend the useful life of an asset are capitalized and depreciated over the remaining estimated useful life of that asset.

(iii) Mineral exploration

Expenditures on mineral exploration programmes are deferred on a project basis until the viability of the project is determined. If a project is abandoned, the accumulated project costs are charged to operations. Once a project is developed, the related accumulated costs are amortized over the productive life of the project.

2. Accounting policy change

Following the acquisition of the Mercur gold mine and the additional interest in Pinson mine the Company carried out a review of its depreciation policies and reserve estimates. As a result the Company adopted the straight-line method of depreciation for its buildings, mill facilities and equipment, whereby the cost of such assets, less their residual value, is depreciated over their estimated economic lives. This change, from the unit of production method, results in a more appropriate matching of revenues and expenses and is considered preferable in the gold mining industry. The effect of the change, which was implemented with effect from January 1, 1985, on the current and prior years' results was not material and, accordingly, prior years' results have not been restated.

3. Business acquisitions

(a) On June 28, 1985, the Company, through its wholly-owned indirect subsidiary, Barrick Resources (USA) Inc., purchased all of the issued and outstanding shares of a company, which owns the Mercur gold mine, for US\$31,000,000 and contingent consideration of a US\$9,000,000 production payment on which payments will be made, based on one half of any additional revenue from gold sold above US\$385 an ounce. Any such payments will be added to the cost of the assets acquired.

The acquisition has been accounted for as a purchase and accordingly these consolidated statements include the results of operations from the date of acquisition. The value of the assets and liabilities acquired based on the consideration paid, was as follows:

Assets	
Current assets	\$ 5,748
Property acquisition, deferred mine development costs, buildings and equipment	41,828
	47,576
Liabilities	
Current liabilities	3,077
Long-term liabilities	1,155
	4,232
Net assets at values assigned	\$43,344
Consideration	
Cash	\$42,120
Costs of acquisition	1,224
	43,344

(b) Effective December 31, 1985 the Company acquired all of the issued and outstanding shares of Siscoe Holdings Co., a wholly-owned subsidiary of United Siscoe Mines Inc., which owns a 26.25% interest in the Pinson gold mine and owed the Company \$12,892,000, for total consideration of \$5,756,000. Prior to the acquisition the Company held an indirect 43.7% interest in Siscoe Holdings. As part of the consideration for the purchase, the Company tendered its United Siscoe shares to United Siscoe for cancellation. As a result the Company has accounted for the transaction as a purchase of 56.3% of Siscoe Holdings and a disposition, at fair value, of its interest in United Siscoe's assets and liabilities other than Siscoe Holdings. Since the effective date of the transaction was the last day of the fiscal year there was no effect on 1985 operating income. The Company's gain of \$437,000 on the disposition of its United Siscoe interest and the results of United Siscoe's operations are included in discontinued operations. The results of its interest in the Pinson mine have been included in other income.

The value of the assets and liabilities acquired, based on the consideration paid, was as follows:

Assets	
Current assets	\$ 1,335
Property acquisition, deferred mine development costs, buildings and equipment	13,196
Other	163
	14,694
Liabilities	
Current liabilities	1,192
Due to American Barrick	7,258
Long-term liabilities	488
	8,938
Net assets at values assigned	\$ 5,756
Consideration	
Cash	\$ 3,074
Promissory note due January 1, 1987	1,000
United Siscoe Mines Inc. shares tendered for cancellation	1,592
Costs of acquisition	90
	5,756

In addition to the tangible consideration paid, the Company undertook to place, by December 31, 1986, United Siscoe's shareholding in American Barrick in an amount sufficient, when combined with the promissory note given as part consideration for the transaction, to completely repay United Siscoe's outstanding bank indebtedness. The Company has also agreed to provide management services at no charge to United Siscoe until the bank indebtedness has been fully repaid.

As at March 14, 1986 all but 200,100 shares of United Siscoe's shareholding in American Barrick had been sold and United Siscoe's bank debt had been reduced to \$1,919,290.

4. Inventories and prepaid expenses

	1985	1984
Mine operating supplies	\$ 5,100	\$ 2,381
Gold in process	3,598	—
Prepaid expenses	1,112	168
	\$ 9,810	\$ 2,549

5. Cash held in trust

On February 13, 1984, Renabie Gold Mines Ltd. received \$14,980,750 (\$17,000,000 less issue expenses) from The Renabie Gold Trust under the terms of a gold acquisition agreement. The funds are held in trust and are released as expenditures are incurred to further the Renabie mine expansion plan.

6. Property, plant and equipment

	1985	1984
Cost		
Property acquisition and deferred mine development costs	\$ 81,808	\$ 64,692
Buildings and equipment	80,487	17,881
Mineral exploration	19,897	15,801
Petroleum and natural gas	—	63,746
	182,192	162,120
Accumulated depreciation, depletion and amortization	18,412	6,411
	\$163,780	\$155,709

7. Investments

	1985	1984
Muskingum Mining Incorporated (note 12(g))		
Shares, at cost	\$ 633	\$ —
Share of earnings	3,816	1,300
	4,449	1,300
Notes receivable US\$8,000,000, (1984, US\$10,000,000) plus accrued interest of \$3,841,000, (1984, \$2,462,000) bearing interest at 10%, secured by mortgages on certain coal lands and security interests in Muskingum's assets, subordinated to Muskingum's mortgage payable, certain reclamation bonds and property lease	14,234	15,612
	18,683	16,912
Gold Company of America Units at cost (market value \$945,600)	1,246	—
United Siscoe Mines Inc. (Note 3(b))		
Shares, at cost	—	8,424
Share of losses	—	(1,000)
	—	7,424
Notes receivable, plus accrued interest at bank prime rate plus 1½%	—	13,707
	—	21,131
Neomar Resources Limited		
Shares, at cost	4,351	4,351
Share of losses	(118)	(118)
Provision for loss	(4,233)	—
	—	4,233
Other	—	750
	\$ 19,929	\$ 43,026

The Company has guaranteed a mortgage payable by Muskingum, aggregating US\$3,413,000 at December 31, 1985 (US\$4,564,000 at December 31, 1984), which is secured by a lien upon substantially all of the assets of Muskingum. This mortgage is being repaid on a monthly basis over three years from Muskingum's cash flow and it is unlikely that the Company's guarantee will be called upon.

8. Other assets

	1985	1984
Notes and mortgages receivable	\$ 1,142	\$ 1,414
Deferred income tax	931	—
Deferred financing costs	818	1,878
Other	845	127
	\$ 3,736	\$ 3,419

9. Bank loans

	1985	1984
Bank loan, interest at bank prime plus 1%, secured jointly with the Mercur loan (note 10)	\$ 4,269	\$ —
Bank loan, interest at bank prime rate plus 1%	—	32,916
Renabie bank loan, interest at bank prime plus 1%, secured jointly with the Renabie term loan (note 10)	1,063	1,298
	\$ 5,332	\$ 34,214

10. Long-term debt

	1985	1984
Bank loans		
Term	\$ —	\$ 40,000
Mercur — (US\$3,000,000)	4,192	—
Renabie	550	910
Other	4,415	9,825
	9,157	50,735
Current maturities	952	404
	\$ 8,205	\$ 50,331

The Mercur loan bears interest at bank prime plus 1%, and is collateralized jointly with the current bank loan by a \$10,000,000 registered demand debenture and a note receivable and an interest in a mineral exploration property which have carrying values in these financial statements aggregating \$31,002,000 and shares in subsidiary and affiliated companies. The loan will be repaid from the proceeds of a long-term gold financing.

The Company's portion of the Renabie term loan is repayable \$90,000 per quarter and bears interest at the bank's prime rate plus 2%. The assets of Renabie have been pledged as security for both the current and term bank loans.

Other long-term debt includes \$2,770,000 (1984, \$7,370,000) unsecured debt due on demand to a subsidiary of a company, certain of whose shareholders are directors of the Company, bearing interest at U.S. bank prime plus 1%. The loan will be repaid from the proceeds of a long-term gold financing.

11. Other long-term liabilities

	1985	1984
Other liabilities	\$ 4,560	\$ 3,597
Current maturities	262	—
	\$ 4,298	\$ 3,597

Other long-term liabilities include deferred compensation, reclamation reserves and capital leases.

12. Deferred revenue

	1985	1984
Gold Company of America	\$ 44,516	\$ —
Bullion loan	34,868	—
Renabie Gold Trust	6,265	6,880
	\$ 85,649	\$ 6,880

Gold Company of America

In January, 1985, Barrick Minerals (Canada) Inc., a wholly-owned subsidiary of the Company, entered into two gold purchase agreements amounting to \$53,000,000 (US\$40,000,000) for the sale of gold from the Camflo Mine to Gold Company of America, a limited partnership in which a subsidiary of the Company is a general partner. Under the terms of the contracts, which each provide for the purchase of a specified number of ounces of gold, gold is delivered to the Partnership based on a percentage rate per annum of the total contract price which rate is dependent on the prevailing price of gold at the time of its delivery. The rate is 8% when gold is US\$365 per ounce and increases or decreases 1% for every US\$35 change in the price of gold to a maximum US\$1,500 per ounce. All of the assets of Barrick Minerals, including the Camflo Mine, (net book value \$52,800,000) have been pledged as security for the gold purchase contracts.

The net proceeds have been accounted for as deferred revenue and will be recognized in income over the estimated economic life of the contracts.

Bullion loan

In December, 1985 Barrick Mercur Gold Mines Inc. borrowed approximately 77,000 ounces of gold which it immediately sold on the open market for net proceeds of US\$25,000,000, which were used to repay the loan associated with the Barrick Mercur acquisition. The bullion loan is repayable in ounces of gold in monthly instalments over 4¼ years and bears interest at approximately 2% per annum.

The bullion loan is collateralized by the assets of Barrick Mercur which have a carrying value in these financial statements of \$54,326,000 and a guarantee of the Company. The agreement provides for additional deliveries, in excess of the monthly instalments, equal to 50% of Barrick Mercur's net cash flow from operations after approved capital expenditures and scheduled instalments.

Bullion loan proceeds have been accounted for as deferred revenue and will be recognized in income as deliveries are made.

Renabie gold trust

Under the terms of a gold acquisition agreement the Renabie Gold Trust receives a percentage of future gold production from the Renabie mine ranging from 3% to 10%, depending upon the then current price of gold. Renabie has issued to the Trust a \$60,000,000 debenture secured by a mortgage and charge on the Renabie mine and a floating charge over Renabie's other properties. The Company's share of these assets at December 31, 1985 is carried at \$20,820,000 in these financial statements.

The net proceeds received under the gold acquisition agreement are accounted for as deferred revenue and recognized in income as distributions are made to the Trust.

13. Capital stock

	Authorized	Issued	
Common shares	Unlimited	19,515,567	\$128,119
First Preferred Shares			
Series A	10,000,000	194,661	370
Series B	10,000,000	952,381	2,000
Second Preferred Shares			
Series A	15,000,000	237,068	576
Warrants		6,400,001	3,320
			\$134,385

	Number of shares	
Common shares		
Outstanding at December 31, 1984	95,777,601	\$125,451
Issued during 1985		
For cash	1,786,950	2,643
On conversion of First Preferred Shares, Series A	13,286	25
One for five share consolidation	(78,062,270)	—
Balance at December 31, 1985	19,515,567	\$128,119

First Preferred Shares, Series A

Outstanding at December 31, 1984	207,947	\$	395
Converted to common shares during 1985	(13,286)		(25)
Outstanding December 31, 1985	194,661	\$	370

First Preferred Shares, Series B

Outstanding at December 31, 1984 and December 31, 1985	952,381	\$	2,000
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Second Preferred Shares, Series A

Outstanding at December 31, 1984	256,019	\$	622
Redeemed for cash	(18,951)		(46)
Outstanding at December 31, 1985	237,068	\$	576

Warrants

Outstanding at December 31, 1984	6,000,001	\$	3,000
In part consideration for the Barrick Mercur Loan	400,000		320
Outstanding at December 31, 1985	6,400,001	\$	3,320

(a) On December 6, 1985 the Company's shareholders approved a one for five common share consolidation which became effective on December 13, 1985. All references to common shares that follow reflect the effect of the consolidation.

(b) The First Preferred Shares, Series A, carry a non-cumulative dividend of \$0.114 per share per annum and are convertible into common shares on a five-for-one basis. These shares are redeemable at the option of the Company at the lesser of \$1.90 or at a price (stipulated by the Company) equal to one fifth of the weighted average price of the Company's common shares on The Toronto Stock Exchange over a period of 20 consecutive trading days ending not more than 5 days prior to the date upon which notice of such price is given by the Company.

(c) The First Preferred Shares, Series B, carry a non-cumulative dividend of \$0.126 per share per annum, are convertible on a five-for-one basis into common shares of the Company and are redeemable at the option of the Company at \$2.3625 per share.

(d) The Second Preferred Shares, Series A carry a fixed non-cumulative dividend of \$0.222 per share per annum and are redeemable at the option of the holder at \$2.43 per share.

(e) The warrants outstanding at the beginning of the year entitle the holder to subscribe for one fifth of a common share of the Company at \$10.50 per share and expire on July 13, 1989. On June 28, 1985, the Company entered into an agreement whereby it may be required to repurchase 3,000,000 warrants at \$0.60 each during the period between July 14, 1986 and August 12, 1986.

The warrants issued in consideration for the Barrick Mercur loan entitle the holder to subscribe for one fifth of a common share of the Company at \$8.00 per share and expire on June 27, 1987.

(f) There are share purchase options outstanding, expiring at various dates to April 30, 1989, for 474,580 (1984, 428,950) common shares at prices between \$5.60 and \$16.00 per share.

(g) On July 26, 1985 a plan of arrangement was completed whereby the shareholders of La Luz Mines Limited ("La Luz") other than the Company tendered all their shares for 66,400 shares of the Company held by La Luz. The value of these shares of \$457,000 has been attributed to the cost of the Company's investment in Muskingum Mining Incorporated. As a result of the arrangement La Luz became a wholly-owned subsidiary of the Company. Subsequent to the arrangement the remaining 73,600 shares of the Company held by La Luz were sold for cash of \$658,720. The excess of cost over proceeds was charged to deficit.

(h) Subsequent to December 31, 1985 the Company entered into agreements to issue up to approximately 600,000 common shares on a flow-through basis in consideration for which the Company will receive up to \$9,000,000 to be spent on exploration of the Company's Canadian mineral resource properties.

14. Other income

	1985	1984
Share of earnings of equity accounted companies	\$ 3,007	\$ 833
Interest and other income	2,829	2,276
Pension fund termination	1,386	—
Provision for decline in value of note receivable and marketable securities	(518)	(579)
Minority interest in loss of subsidiary	—	70
	\$ 6,704	\$ 2,600

15. Income taxes

As the Company operates in a specialized industry and in two geographic segments its income is subject to varying rates of taxation. A reconciliation of the combined Canadian federal and provincial income tax rate with the Company's effective income tax rate is set out below:

	1985	1984
Combined Canadian federal and provincial income tax rate of expense (recovery)	41.5%	(43.7)%
Increase (decrease) resulting from:		
Non-deductible expenses	—	3.6
Resource and depletion allowances	(29.7)	(11.2)
Depreciation, depletion and amortization	0.5	13.5
Capital losses	1.9	4.5
Unrecorded tax benefits of subsidiaries and equity accounted affiliates	12.4	2.8
Foreign tax rates	(0.3)	—
Miscellaneous	(1.2)	(1.0)
Effective rate of income tax expense (recovery)	25.1%	(31.5)%

The Company and its subsidiaries have non-capital losses which are available for carry forward to fiscal years ending not later than: 1986, \$400,000; 1990, \$350,000; 1997, \$1,000,000; 1999, \$1,900,000. The tax benefit of these losses carried forward has not been recorded in the financial statements.

16. Extraordinary items

	1985	1984
Provision for loss on petroleum and natural gas interests, net of \$9,475 income taxes recovered (1984, \$1,900 expense)	\$ 24,004	\$ 10,099
Provision for loss on investment in affiliated company, net of \$1,845 income taxes recovered (1984, \$500)	2,388	694
Computer software costs	—	1,585
	\$ 26,392	\$ 12,378

Further to its decision to discontinue its oil and gas operations, including those held through an affiliated company, the Company has fully provided for its oil and gas interests based on its estimate of their net realizable value.

17. Related party transactions

Office premises and administrative expenses are shared with certain related companies, including a company the shareholder of which is a director of the Company and other related companies. These expenses are allocated amongst the companies based on their proportionate share of the actual costs incurred. Fees for legal and consulting services have been paid to professionals who are directors of the Company, a subsidiary or a related company.

Amounts due from affiliated companies at December 31, 1985 amounting to \$659,000 (1984, \$588,000) are included in accounts receivable.

At December 31, 1985 there were outstanding \$322,000 (1984, \$432,000) of residence loans bearing interest at 7% per annum and \$1,431,000 (1984, \$1,107,000) of interest free non-recourse loans, repayable by 1991, to officers or former officers for the acquisition of Company shares under an incentive stock purchase plan.

18. Business segments

The Company operates in two geographic areas: Canada and United States.

	1985	1984
Revenues		
Gold		
Canada	\$ 23,642	\$ 12,158
United States	24,876	1,625
	\$ 48,518	\$ 13,783
Depreciation, depletion and amortization		
Gold		
Canada	\$ 9,360	\$ 3,903
United States	2,137	652
	\$ 11,497	\$ 4,555

Income (loss) before extraordinary items

Operating income (loss)		
Gold		
Canada	\$ (1,710)	\$ (1,128)
United States	7,974	(7)
	6,264	(1,135)
General corporate expenses, net	(497)	(6,050)
Income taxes	(1,500)	1,508
Exploration costs written off	(448)	—
Income from discontinued operations	204	1,961
	\$ 4,023	\$ (3,716)

Identifiable assets by geographic area

Canada	\$ 91,263	\$127,449
United States	81,408	31,397
Australia	—	1,219
Identifiable assets	172,671	160,065
Corporate assets	14,226	15,911
Investments	19,929	43,026
Total assets	\$206,826	\$219,002

19. Joint ventures

The Company's 50% interest in Renabie, 23.125% interest in Valdez Creek and, effective December 31, 1985 the 26.25% interest in Pinson have been proportionately consolidated. The Company's interest in these investments is summarized below:

	1985	1984
Assets	\$ 45,962	\$ 24,427
Liabilities	10,958	12,251
Revenue	8,970	5,595
Expenses	9,450	6,668

The Company has granted an option to acquire 10% of the Company's interest in Renabie for \$1,160,000 exercisable until January 1, 1989.

Under the terms of the Renabie shareholder agreement either Barrick or Cullaton may, at any time after December 31, 1985, require the other to purchase its interest in Renabie at a stipulated price or, at the other's option, sell its own holding to the other partner at such price.

20. Forward gold sales

As at December 31, 1985, under the Company's gold hedging program, 79,400 ounces of gold had been sold forward for delivery through December 1986, at an average price of US\$336 per ounce. Revenue is recognized as gold is delivered.

DIRECTORS AND OFFICERS

Directors

Howard L. Beck
Toronto, Ontario
Partner,
Davies, Ward & Beck

C. William D. Birchall
Nassau, Bahamas
Chief Financial Officer,
Barrick Investments Limited

Stephen R. Dattels
Toronto, Ontario
Executive Vice-President,
American Barrick Resources Corporation

Robert E. Fasken
Oakville, Ontario
former Chairman of
Camflo Mines Ltd.

David H. Gilmour
New York, N.Y.
Vice-Chairman,
Barrick Investments Limited

David R. Hinde
London, England
Executive Director,
Samuel Montagu & Co. Limited

Tariq Kadri
Santa Barbara, California
Financial Consultant

Peter Munk
Toronto, Ontario
Chairman,
American Barrick Resources Corporation

P. Anthony Novelty
St. Louis, Missouri
President and Chief Executive Officer,
Apex Oil Company

Joseph L. Rotman
Toronto, Ontario
President, Roy-L Resources Ltd.

Norman J. Short
Toronto, Ontario
President and Director,
Guardian Capital Group Limited

Robert M. Smith
Oakville, Ontario
Chief Operating Officer,
American Barrick Resources Corporation

Officers

Peter Munk
Chairman of the Board

Robert M. Smith
Executive Vice-President,
Mining and Chief Operating
Officer

Stephen R. Dattels
Executive Vice-President,
Corporate Finance

Jeremy Garbutt
Executive Vice-President,
Finance

Alan R. Hill
Vice-President,
Engineering

Meredyth E. Holt
Vice-President,
Mining Exploration

Brian K. Meikle
Vice-President,
Mining Operations

William R. Robertson
Vice-President and Secretary

Gregory C. Wilkins
Vice-President and Controller

Robert B. Wickham
Treasurer

CORPORATE DATA

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Coopers & Lybrand
Toronto, Canada

Legal Counsel

Davies, Ward & Beck
Toronto, Canada

Shares Listed

The Toronto Stock Exchange —
(Symbol: ABX)
The Montreal Exchange —
(Symbol: ABX)
NASDAQ
(Symbol: (ABXFF))

Mining Operations

The Mercur Mine

P.O. Box 838
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Tooele, Utah 84074
Frank D. Wicks — Vice-President
& General Manager
Jon C. Sprague — Mine Manager

The Camflo Mine

P.O. Box 640
Malartic, Quebec
J0Y 1Z0
Louis Dionne — Mine Manager

The Renabie Mine

Missanabie, Ontario
P0M 2H0
Lyall W. Chapman — Mine Manager

The Pinson Mine

P.O. Box 192
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H. Dan Harper — General Manager

Valdez Creek Mine

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Don H. Shultz —
President & General Mine Manager

The McDermott Project

P.O. Box 178
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Michel Sirois —
Regional Project Manager

The Crown City and Muskingum Mines

6422 East Main Street
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David Jamison —
President & General Manager